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AV 4 IT-US

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EXCISE

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ACTION E-15

INFO OCT-01 EUR-20 CAB-09 CIAE-00 COM-08 DODE-00 DOT-12
INR-07 NSAE-00 RSC-01 SS-20 NSC-10 L-04 H-02 SSO-00
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DEPARTMENT OF STATE A/CDC/3R MAY 1982
REVIEWED BY MrS DATE
PORTIONS DENIED AS INDICATED

FROM USDEL

DELIVER LOY 0900

SUBJ: CIVAIR NEGOTIATIONS

REF: ROME 2458 AV 4 IT-US

1. IN THURSDAY MORNING FORMAL MEETING USDEL GAVE RESPONSE TO LATEST ITALIAN PROPOSAL (SEE REFTEL ROME 2458). POINTED OUT ITALIAN PROPOSAL DEFICIENT IN SEVERAL AREAS AND EXPRESSED CONCERN AT SUBSTANTIAL FLEXIBILITY AND VALUE INHERENT IN ITALIAN INTERMEDIATE POINT FORMULATION FOR ITALY. SUGGESTED CERTAIN AMENDMENTS ON ITALIAN INTERMEDIATES PER REFTEL.

2. USDEL THEN MADE VIGOROUS ATTACK ON ITALIAN POSITION REGARDING "FROM THE U.S." SAID ITALIAN DEL MUST KNOW THIS IMPORTANT POLICY QUESTION FOR U.S., HOWEVER, THIS FORMULATION WOULD HAVE NEGLIGIBLE ECONOMIC IMPACT ON ITALIANS. USDEL SAID COULD NOT UNDERSTAND HOW ANYONE

(1) KNOWLEDGEABLE IN THE AVIATION BUSINESS COULD BELIEVE THIS FORMULATION COULD SERIOUSLY EFFECT ITALIAN INTEREST SO COULD ONLY ASSUME SOME ELEMENTS ON ITALIAN DEL EITHER WERE NOT KNOWLEDGEABLE OR WERE TRYING TO

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FRUSTRATE AGREEMENT.

3. ITALIAN DEL, VISIBLY DISTURBED, REQUESTED RECESS UNTIL AFTERNOON. IN AFTERNOON SESSION, ITALIAN DEL STATED UNEQUIVOCALLY THEY COULD NOT ACCEPT "FROM THE U.S." WITHOUT SAFEGUARDS. THEY WERE NEGOTIATING AN AGREEMENT WHICH MIGHT LAST 20 YEARS AND THIS FORMULATION GAVE U.S. ENORMOUS POTENTIAL FOR FUTURE EXPANSION. EMPHASIZED THAT ITALIAN OFFERS HAD BEEN BASED ON ASSUMPTION THIS MATTER AND MULTIPLE DESIGNATION QUESTION HAD BEEN RESOLVED. IF USDEL COULD NOT ACCEPT SEVEN POINT FORMULATION ALL PREVIOUS ITALIAN OFFERS ON OTHER ISSUES WERE WITHDRAWN. AFTER CONSIDERABLE POLEMICAL DEBATE, USDEL REQUESTED RECESS DURING WHICH USDEL DECIDED APPROACH ITALIAN CHAIRMAN AGAIN INFORMALLY TO SEE WHETHER FUNDAMENTAL IMPASSE HAD BEEN REACHED. IN INFORMAL DISCUSSION SANTINI INDICATED "FROM THE U.S." FORMULATION WAS IMPOSSIBLE AND THIS POSITION NOT ONLY REPRESENTED ALITALIA VIEW BUT THAT OF ITALIAN GOVERNMENT. MEADOWS SUGGESTED IMPASSE HAD BEEN REACHED AND ONLY THING POSSIBLE NOW WAS FOR EACH SIDE TO PREPARE BEST POSSIBLE PACKAGE ON SIX POINT AND SEVEN POINT PACKAGES RESPECTIVELY. SANTINI SAID IF ONLY SIX POINTS HE COULD NOT SATISFY U.S. ON ANY OTHER ISSUES. ONLY WAY HE COULD ACCEPT "FROM THE U.S." FORMULATION IS TO HAVE SOME PROTECTION AGAINST PROLIFERATION U.S. OPERATIONS. MEADOWS EMPHASIZED NO INTENTION EXPAND U.S. OPERATIONS BUT PERHAPS SOME FORMULATION COULD BE WORKED OUT IN SIDE AGREEMENT WHICH WOULD NOT LIMIT IN THE LEGAL SENSE U.S. RIGHTS GRANTED IN THE FORMAL AGREEMENT BUT WOULD PROVIDE THAT UNDER CERTAIN CIRCUMSTANCES THE EXERCISE OF RIGHTS WOULD BE SUBJECT TO COMPENSATION. SANTINI SAID HE WOULD BE PREPARED TO EXAMINE SUCH A FORMULATION.
AFTER CONSIDERABLE DISCUSSION WITHIN THE RESPECTIVE DELEGATIONS AND THE EXCHANGE OF OFFERS AND COUNTER-OFFERS, ITALIANS CAME UP WITH FOLLOWING PACKAGE DEAL.

A. COULD ACCEPT "FROM THE U.S." IN THE FORMAL AGREEMENT IF SIDE AGREEMENT HAD SOME PROTECTIVE LANGUAGE

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6. U.S. ROUTE SCHEDULE WOULD READ "FROM THE U.S." VIA FRANCE, GERMANY, SWITZERLAND, SPAIN, PORTUGAL, IRELAND, U.K. (ALL POINTS AVAILABLE FOR BOTH COMBINATION AND ALL CARGO) TO MILAN, ROME, AND CHOICE OF ONE POINT AMONG PISA, TURIN AND NAPLES FOR ALL CARGO ONLY AND BEYOND TO ALL U.S. DESIRED POINTS.

7. ITALIAN ROUTE SCHEDULE WOULD READ FROM ITALY VIA FRANCE OR SPAIN (ONE COUNTRY SELECTED PRIOR EACH SEASON) IRELAND OR PORTUGAL, U.K. AND POINT IN CANADA TO -

A. NEW YORK

B. BOSTON AND DETROIT

C. BOSTON, PHILADELPHIA AND/OR WASHINGTON

D. ONE OF FOLLOWING: WASHINGTON AND LOS ANGELES, OR CHICAGO AND LOS ANGELES OR DETROIT AND SAN FRANCISCO/OAKLAND (SELECTION OF ROUTE DESIRED TO BE MADE PRIOR EACH SEASON). ALL CARGO ROUTES WOULD BE FROM ITALY VIA ABOVE INTERMEDIATES TO BOSTON AND NEW YORK, AND NEW YORK AND CHICAGO. COMMENT: NOTE THAT UNLESS ITALY SELECTS CHICAGO-LOS ANGELES ROUTE, THEY LOSE ACCESS TO CHICAGO.

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9. CHANGE OF GAUGE AND BEHIND THE GATEWAY NO PROBLEM.

10. THE USDEL IN RESPONSE STATED THAT OBVIOUSLY WASHINGTON WOULD HAVE TO LOOK AT WHOLE PACKAGE BUT ASIDE FROM SEVEN POINTS, MULTIPLE DESIGNATION, AND "FROM THE U.S." FORMULATION, USDEL COULD PERCEIVE PROBLEMS ON THREE SPECIFIC POINTS:

A. ALL CARGO LEVELS FOR INTERIM PERIOD
B. INTERMEDIATE FLEXIBILITY FOR ITALIAN SIDE
C. SELECTION PROCESS FOR ITALIAN ROUTES.

11. TWO DELEGATIONS AGREE RECESS AND MEET FRIDAY CONSIDER U.S. RESPONSE.
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